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Approved For Release 2007/03/09 : CIA-RDP81B00401R000400110001-8

BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS: January 19, 1981

*State Summary*  
1. IRAN: THE BAZAAR TURNS TOWARD THE MODERATES

Iran's ruling clerics are losing the support of one of the nation's traditional sources of power, the bazaar merchants. At the root of the bazaar's alienation from the Rajai government is a fear that the radicals will attempt to undermine the bazaar's role in the economy and eventually establish a government controlled economy. As a result, the bazaris are edging toward an alliance with the moderates.

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Sustained bazaari support would be of immense value to Bani-Sadr and his fellow moderates since the bazaar can paralyze the economy through strikes, provide the moderates with financing, and give the moderates an important base in all of Iran's major urban areas.

The bazaar, a pivotal institution in Iran's social and economic structure, continues to be the focus of Iran's commercial and financial life. It dominates foreign and domestic trade and has a vice-like grip over the country's distribution network.

The bazaar has accumulated large financial reserves--a fact which has permitted it to exercise influence over the religious establishment through its financing of mosques and religious endowments, schools, and charitable organizations. The bazaar also has links and influence with the modern middle class as many bazaari off-spring have entered professional ranks, government service and private industry.

While the bazaar merchants clearly favored the overthrow of the Shah, radical exhortations since then for income and property redistribution have had little appeal to them. In general, bazaari political instincts lie with the moderates. (It was the bazaar, for example, which elected Bazargan to the Majlis following his resignation as Prime Minister.)

From time to time, the hardliners have called for purges in the bazaar in order to "root out corruption and to establish a just distribution network." A January 15 Khomeini speech to a group of bazaar merchants was more subdued, but it did encourage the bazaris to prevent profiteering and warned the bazaar not to engage in "usurious practices."

Although the hardliners have not made a frontal assault on the bazaar, several government actions have been unnerving to the bazaris. These have included the establishment of an import/export company, closing of bazaari-run foreign exchange markets, and attempts to administer the bazaar through "Islamic committees." Many radicals apparently assume that since they have an independent source of income (oil revenues), they can proceed to run roughshod over this vital institution.

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BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS: DECEMBER 3, 1980

1. IRAN: ANTI-CLERICAL SENTIMENT *Iran*

Continuing popular demonstrations indicate that anti-clerical sentiment remains a pervasive undercurrent in Iranian political life. But we see no evidence that a cohesive anti-clerical political organization has yet crystalized which can translate current dissatisfaction into a significant force. But the clerics will probably now step up their efforts to curtail the activities of their rivals through legal and extra-legal means.

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In an effort to limit the opportunities for anti-clerical demonstrations, the fundamentalists:

--persuaded the Interior Ministry on November 27 not to issue a parade permit to students who wanted to march to Khomeini's residence; and

--appear to have forced a shut-down on December 1 of the Tehran, Mashad and Qom bazaars.

Ostensibly, the bazaars were closed "as an expression of protest against plots hatched against the committed clergy" (i.e. the political clerics). However, given the continued surfacing of anti-clerical sentiment (exemplified most recently by demonstrations in Mashad on November 29-30), the fundamentalists may have ordered the bazaar closings as a means of breaking any anti-clerical momentum. Whatever the reason, the closing of the bazaar, which is normally done by the bazaar merchants as a tactic to wrest concessions from the government, indicates that the clerics sense an erosion of support from within this organization.

Although no time limit for reopening the bazaars has been set, this vital institution, which is the hub of most of Iran's economic life, cannot long remain closed. The press announcement did state that if the "plotters continued their devious designs against the clergy," a country-wide closure might be instituted, a threat which appears to be an effort by the clergy to head off more trouble.

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Iran

*State Morning Summary* CONFIDENTIAL

BUREAU OF INTELLIGENCE AND RESEARCH - ANALYSIS: November 27, 1980

1. IRAN: ERODING SUPPORT FOR THE CLERICS?

The stress of the war has produced increasing discontent with the clerics' rule, particularly among bazaar merchants. This has given Bani-Sadr new political opportunities and intensified sparring between the major factions. Caught between these pressures, Khomeini is unlikely to agree to recent clerical suggestions that he strip Bani-Sadr of his constitutional authority. Nevertheless, the hardliners will continue their efforts to discredit Bani-Sadr and soften-up Khomeini.

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Public ire, which appears to be directed toward the clerically-dominated Islamic Republican Party, is motivated by several factors:

- the stifling of political freedom;
- the perception that the radicals are subverting Islam; and
- mismanagement of the war and the economy.

Iran's economic woes have hit the bazaar merchants particularly hard. They have suffered from skyrocketing prices followed by erratic price control and rationing policies, the lack of foreign exchange, the establishment of a government-run import/export firm, and reduced consumer purchasing power. The latest blow occurred when the government closed the convertible currency market, which will probably increase retail prices while further reducing the availability of foreign exchange.

Bazaar frustrations bubbled to the surface following Ghotbzadeh's arrest two weeks ago. Leaders of the bazaar may have interpreted it as the beginning of the final assault on the only political faction which appears sympathetic to their needs.

Sensing a shifting mood, Bani-Sadr has openly attacked the clerics for trying to monopolize political power. In reaction, Rajai and other hardliners have hinted that Bani-Sadr must either be brought in line or removed.

As an elected official, Bani-Sadr cannot be arbitrarily arrested or silenced. To reduce his increasing influence, the hardliners must persuade Khomeini either to appoint a new commander-in-chief (Khomeini has delegated this authority to Bani-Sadr) or remove Bani-Sadr from office--which is permissible under the constitution.

Despite the strong undercurrents of dissatisfaction, clerical rule is not in danger of imminent collapse. The clerics still control the major governmental organs, and have residual strength among the masses and the fanatical support of the Revolutionary Guard. Most importantly, Khomeini remains popular and is determined to see that the clergy remain in the forefront of political affairs.